Exhibit 2:

Previously filed as Ex. 1 to N. Sugnet Declaration (Docket No. 129)

NEW CENTURY FINANCIAL CORP

FORM 10-K
(Annual Report)

Filed 03/16/05 for the Period Ending 12/31/04

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SIC Code	6798 - Real Estate Investment Trusts
Industry	Real Estate Operations
Sector	Services
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2004

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________to ________

Commission file number 000-22633

NEW CENTURY FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Maryland **(State or other jurisdiction incorporation or organization)**	**56-2451736** **(I. R. S. Employer Identification Number)**
18400 Von Karman, Suite 1000, Irvine, California **(Address of principal executive offices)**	**92612** **(Zip Code)**

Registrant's telephone number, including area code: (949) 440-7030

Securities registered pursuant to Section 12(b) of the Act:
Common Stock, par value $0.01 per share

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐

The aggregate market value of common stock held by non-affiliates, based on the closing price of the common stock of the registrant's predecessor-in-interest on the last business day of the most recently completed second fiscal quarter as reported on the NASDAQ National Market, was $1.6 billion. All executive officers and directors of the registrant and all persons filing a Schedule 13D with the Securities and Exchange Commission in respect to registrant's common stock have been deemed, solely for the purpose of the foregoing calculations, to be "affiliates" of the registrant.

As of March 1, 2005, the Registrant had 55,318,614 shares of common stock outstanding.

Certain information required for Part III of this report is incorporated herein by reference to the proxy statement for the 2005 annual meeting of the Company's stockholders.

Since the first quarter of 2003, we have structured all of our securitizations as financings rather than sales. Such structures do not result in gain on sale at the time of the transaction, but rather yield interest income as the payments on the underlying mortgages are received. The following table sets forth secondary marketing transactions for the periods indicated (dollars in thousands):

	For the Years Ended December 31,		
	2004	2003	2002
Premium whole loan sales	$ 30,181,150	$ 20,587,888	$ 12,160,303
Securitizations structured as sales	—	—	845,477
Total premium sales	30,181,150	20,587,888	13,005,780
Discounted whole loan sales	148,128	247,217	259,384
Total sales	30,329,278	20,835,105	13,265,164
Securitizations structured as financings	10,111,131	4,946,781	—
Total secondary market transactions	$ 40,440,409	$ 25,781,886	$ 13,265,164

Whole Loan Sales

During the year ended December 31, 2004, whole loans sales accounted for $30.3 billion, or 75%, of our total secondary market transactions. The weighted average premiums received on whole loans sales was 3.58% of the original principal balance of the loans sold, including premiums received for servicing rights. During 2003, whole loans sales accounted for $20.8 billion, or 80.8% of our total secondary market transactions and the weighted average premiums received was 4.18%, including premiums received for servicing rights.

We seek to maximize our premiums on whole loan sales by closely monitoring requirements of institutional purchasers and focusing on originating or purchasing the types of loans that meet those requirements and for which institutional purchasers tend to pay higher premiums. During the year ended December 31, 2004, we sold $14.1 billion of loans to Morgan Stanley and $5.2 billion of loans to DLJ Mortgage Capital, which represented 46.4% and 17.2%, respectively, of total loans sold. While nearly two-thirds of our loans were sold to these two investors, our loans are sold through a competitive bid process that generally includes many more potential buyers.

Securitizations Structured as Financings

During the year ended December 31, 2004, we completed five securitizations totaling $10.1 billion, which we structured as financings for accounting purposes under Statement of Financial Accounting Standards No. 140, or SFAS 140. The “portfolio-based” accounting treatment for securitizations structured as financings and recorded on-balance sheet is designed to more closely match the recognition of income with the receipt of cash payments. Because we do not record gain on sale revenue in the period in which the securitization structured as a financing occurs, the use of such portfolio-based accounting structures will result in lower income in the period in which the securitization occurs than would a traditional securitization structured as a sale. However, the recognition of income as interest payments are received on the underlying mortgage loans is expected to result in higher income recognition in future periods than would a securitization structured as a sale. During the year ended December 31, 2003, we completed five securitizations structured as financings totaling $4.9 billion. The increase in securitizations structured as financings in 2004 is the result of higher overall loan production volume coupled with our intent to retain more of our volume in connection with our conversion to a REIT.

Securitizations Structured as Sales

During 2004 and 2003, we did not complete any securitization transactions structured as sales. However, we continue to hold residual interests on our balance sheet related to securitizations structured as sales closed in 2002 and prior years.

At the closing of a securitization structured as a sale, we add to our balance sheet the residual interest retained based on our calculation of the present value of estimated future cash flows that we will receive. The residual interest we record consists of the overcollateralization, or OC, account and the net interest receivable, or NIR. Combined, these are referred to as the residual interests.